Inputs to the Elements Paper of the Preparatory Process of the 3rd International Conference on Financing for Development

The challenges of financing for development are linked to the shortcomings of the globalized financial system. Financial capitalism and associated processes of commodification and de-regulation have indeed resulted in a cumulative process of wealth concentration, social exclusion and environmental disruption. In this socially exclusive and environmentally disruptive type of economic growth, eco-social improvements have been rare. And they have most often arisen as results of hard-won gains from workers' and environmental activists' struggles rather than from indirect externalities and add-ons of short term income-generating activities of competing private economic agents. The financial system as it currently functions is unable to allocate resources and steer money in ways that align with sustainable development goals. A question arises then – what finance for what development?

Social and solidarity finance (SSF) refers to exchange and financial mechanisms based on collective self-organization through which people manage their resources according to principles of solidarity, autonomy, trust and mutual aid. SSF encompasses ethical banking, financial cooperatives, community development banks, solidarity microfinance, crypto- and complementary currencies, community-based savings schemes (e.g rotating savings and credit association – ROSCAS), participatory budgeting, crowdfunding, social impact bonds and forms of impact investing. SSF mechanisms aim to democratize access to finance; reinsert values and practices of solidarity and reciprocity in the financial sphere and foster local economic development and social cohesion. They operate based on a different rationale from conventional instruments. They do not prioritize monetary returns on investment but rather integrate their profits with the social or environmental objectives of the organizations they finance. Those schemes are often local and small but not always. Cooperative banking, complementary currencies and ethical banking have a long tradition of innovative and social financing.[1]

A significant part of the development funds aimed at fostering economic development should be have provisions at the national and subnational level for the transfer of funding via local tools of solidarity economy finance, such as community banks (owned and managed by the community), rotating funds (ROSCAs), community-owned micro-finance institutions and local credit cooperatives, since they are the most appropriate actors for funding local development. State banks and funds should provide not only loans but also capacity-building support to these initiatives. Because of their operating principles, such financial arrangements are more prone to finance organizations and enterprises that are working towards sustainable development goals. They should be therefore recognized as critical innovative means of financing for development. But to develop their full potential, they need to be better understood and supported by financial regulations, which requires tackling the disabling policy environment.

[1] See numbers under box 9 : Solidarity Finance in UNRISD (United Nations Research Institute for Social Development). 2014. *Social and Solidarity Economy and the Challenge of Sustainable Development*. UN Inter-Agency Task Force on Social and Solidarity Economy Position Paper. Accessed 29 July 2014. www.unsse.org/?page_id=499

References

UNRISD (United Nations Research Institute for Social Development). 2014. *Social and Solidarity Economy and the Challenge of Sustainable Development*. UN Inter-Agency Task Force on Social and Solidarity Economy Position Paper. Accessed 29 July 2014. www.unsse.org/?page_id=499

Mont-Blanc Meetings. 2015. *Powerful and Innovative Approaches for Financing Development. Commons: Social and solidarity Economies, Shared Societies, Cooperatives and the Internet*. Presentation of the United Nations Headquarters, 10 February 2015. http://rencontres-montblanc.coop/sites/default/files/finance_as_a_common_n.alix_ny_10_02_2015_0.pdf

Utting, Peter, Nadine van Dijk and Marie-Adélaïde Matheï. 2014. *Social and Solidarity Economy: Is There a New Economy in the Making ?* Occasional Paper 10. Geneva: UNRISD.

RIPESS (International Network for the Promotion of Social Solidarity Economy). 2014, *Social Solidarity Economy Recommendations for the Post-2015 Development Agenda.* Presented at UN Headquarters July 3, 2014